

CITY OF TORRANCE
DEFERRED COMPENSATION PLAN COMMITTEE
DECEMBER 1, 2011 MEETING MINUTES

Members Present: Ms. Dana Cortez – City Treasurer
Mr. Eric Tsao – Finance Director
Ms. Mary Giordano – Assist. City Manager

Guests: Ms. Usha Archer and Ms. Carol Say – Great-West Retirement Services

Committee Consultants: Mr. John Campbell and Ms. Rachel Fequiere - Benefit Funding Services Group
("BFSG")

CALL TO ORDER

A special meeting of the Deferred Compensation Committee (the "Committee") was called to order by Dana Cortez on December 1, 2011 at 10:30 am. The meeting was intended to review the third quarter 2011 City of Torrance Deferred Compensation Plans (the "Plans") performance report prepared by BFSG as well as items noted on the meeting agenda.

INVESTMENT MEETING

I. APPROVAL OF SEPTEMBER 1, 2011 MEETING MINUTES

A motion was made to approve the minutes. The motion was seconded and unanimously voted as approved.

II. RETIREMENT PLAN QUARTERLY INVESTMENT REVIEW

Mr. Campbell reviewed the BFSG Retirement Plan Quarterly Investment Review, which was distributed at the meeting. The review included a discussion on the current state of the economy as well as the funds and Plan performance for the quarter ending September 30, 2011. Overall, the 457 Plan A and 401(a) Plans had seven funds ranked as "outperform," four funds ranked as "perform," and one fund ranked as "underperform," per the Investment Policy Statement ("IPS") methodology. The average ranking was reported as 23, and the weighted ranking was reported as 22; both of which are considered "outperform."

Artisan International is the one fund ranked as "underperform." The fund has an underweight in Japan, which detracted from results as Japan has performed quite well recently due to the strength of its currency. Also contributing to the funds recent poor performance was the manager's move into some European banks in early 2009, investing over 30% of the fund in financials. That greatly helped the fund in 2009; however the banking industry's subsequent decline with the European debt crisis has led to the recent poor performance. Investments in land developers in China and Hong Kong have also hurt performance.

Mr. Campbell reviewed the performance of the Torrance Stable Value fund, noting that it continues to perform well relative to the stable value category, but it continues to be invested with a very narrow focus, predominantly in mortgage-backed securities. The positioning has helped performance based on the current market environment, but could result in adverse consequences should refinancing activity increase. The Committee discussed changing the stable value fund Investment Policy Statement in order to allow for more diversity in the portfolio. Great West was asked to invite the stable value specialist to attend an upcoming meeting for ongoing discussion.

Other noteworthy funds for the quarter included PIMCO Total Return, which trailed both the Barclays Aggregate Bond Index and category peer group for the quarter due to the negative stance it had taken on Treasuries; Dodge & Cox Stock, which struggled on a 3-year basis due to an overweight in financials in 2008 and most recently due to a few underperforming stocks held in the portfolio; Fidelity Adv Leveraged Co Stock, which posts impressive 10-year performance, but lags on a short-term basis due in part to its high volatility; and Columbia Small Cap Value II, which lagged its peers on a 3-year basis due to an overweight in financials.

Mr. Campbell also discussed the Plans' large cap growth offering, Growth Fund of America. The fund continues to struggle due to an overweight position in foreign securities. Three and 5-year underperformance is attributable to an overweighting in financials and typical 18% stake in foreign stocks. While this foreign position weighs on its stance as a domestic fund, it may offer an edge as the global economy recovers. The management team remains intact, as does the funds excellent long-term (10-year) track record.

The Conservative, Moderate, and Aggressive Lifestyle funds were reviewed. They lag their benchmarks slightly on a short-term basis (specifically the Conservative and Moderate funds), but demonstrate overall value added by the underlying managers over the long term.

Plan-weighted portfolio returns demonstrate slight lagging on a 3-month basis versus the custom passive benchmark, and outperformance on a one-, 3-, and 5-year basis versus both the custom active and passive benchmarks. The weighted portfolio takes slightly more risk than the equally weighted category average, and remains competitively priced with a weighted expense ratio of 57 basis points versus the category average at 72 basis points.

The Committee discussed the range of investments offered in the Plan, noting that a well-rounded domestic core line-up is available to participants. Mr. Campbell suggested additional diversification opportunities in the international offerings, including funds such as emerging markets, small/mid international, and/or global bond. Though these types of funds are offered through the Self-Directed Brokerage window, Ms. Say noted that some participants have expressed an interest in having other international funds available in the core line-up. After discussion, the Committee agreed that they would like BFSG to prepare a fund search to propose options in these international categories, as well as additional domestic funds to complement the existing fund line-up.

The underperforming funds in the Part-Time (3121) Plan were reviewed and noted as predominantly being scheduled for replacement.

III. FUND SEARCH

In the interest of time, the foreign large equity Fund Search prepared by BFSG to address concerns with the AllianceBernstein International Growth fund was tabled until the next meeting.

IV. INFORMATIONAL ITEMS

Ms. Archer provided an update with respect to the timing of the fund and share class changes applicable to the Part-Time and Full-Time Plans. All changes were noted as being implemented as anticipated.

Administrative Meeting

V. COMMITTEE AUTHORIZATION TO SIGN PLAN DOCUMENT AMENDMENTS ADDING ROTH FEATURE

The Committee voted and unanimously agreed to add the Roth 457 feature to the Plan, and to grant authority to Ms. Cortez to sign any applicable Roth-related amendments.

VI. GREAT WEST REPORT

Ms. Archer distributed and provided an overview of the third quarter employee communication efforts. Also distributed and reviewed was a 2012 Strategic Partnership Plan, depicting the Plan Report Card and recent milestones. Ms. Archer reviewed participation rates, average account balances, and 2012 initiatives. Emphasis was placed on continuing employee education in 2012, specifically targeting participants who are between the ages of 30 and 50; maintain their entire account in the stable value fund; or save less than \$2,600 per year. Flyers, mailers, and seminars are all included in the plan. Costs could be borne by the Plan's Expense Account at the direction of the City.

VII. INFORMATIONAL ITEMS

Ms. Archer provided an update on the Roth 457 implementation. She advised that all payroll testing had been completed and the feature is ready to be rolled out to participants effective February 1, 2012. Notices will be sent to participants advising them of the effective date.

VIII. DISCUSSION ITEMS

The Committee discussed Committee membership and the possibility of allowing designee's and/or alternates to be able to attend meetings in lieu of the Committee member should the member be unavailable. It was noted that only the member themselves would have the authority to vote as the member has a certain expertise and consistency relative to Committee matters. The Committee also discussed the possibility of adding additional members, such as Plan participants and/or retirees. After discussion, it was decided that designees and/or alternates would not be acceptable replacements at meetings since they are not in a position to vote. Further, new members will not be added to the Committee at this time. As such, the Committee will remain as-is, and meetings will only be held when a quorum is present.

IX. ADJOURNMENT

The Deferred Compensation Committee meeting adjourned at 12:25 pm.

Fund Performance Summary – 457 Plan A and 401(a) Plans

9/30/2011									
Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio
Torrence Stable Value	Fixed	54.51%	0.88	2.73	3.67	3.99	4.27	N/A	0.44
Cat: Stable Value			0.54	1.69	2.35	2.73	3.29	3.77	
Dodge & Cox Income	Intermediate Bond	0.78%	0.19	3.35	3.55	9.93 (26)	6.42 (38)	5.84 (25)	0.43
PIMCO Total Return Admin		3.10%	-1.12	1.71	0.71	9.56 (33)	7.54 (8)	6.32 (11)	0.71
Barclays Aggregate Bond			3.82	6.65	5.26	7.97	6.53	5.66	
Cat: Intermediate Bond			1.45	4.44	3.62	8.80	5.79	5.30	0.80
Dodge & Cox Stock	Large Value	4.07%	-18.83	-13.72	-4.08	-0.49 (48)	-4.91 (83)	4.14 (28)	0.52
Russell 1000 Value			-16.20	-11.24	-1.89	-1.52	-3.53	3.36	
Cat: Large Value			-16.10	-11.24	-2.24	-0.41	-2.63	3.29	1.07
American Funds Fundamental Investors R4	Large Blend	1.04%	-16.93	-11.84	-2.87	0.91 (37)	-0.34 (27)	5.39 (8)	0.66
Blackrock Eq Idx Fund CF		2.87%	-13.87	-8.64	1.19	1.36	-1.09	2.89	0.18
S&P 500			-13.87	-8.68	1.14	1.23	-1.18	2.82	
Cat: Large Blend			-15.98	-11.32	-1.75	0.28	-1.60	2.98	1.08
American Funds Growth Fund of Amer R4	Large Growth	6.29%	-16.19	-12.36	-3.37	0.60 (70)	-0.97 (74)	4.43 (20)	0.68
Russell 1000 Growth			-13.14	-7.20	3.78	4.69	1.62	3.01	
Cat: Large Growth			-15.64	-10.74	-0.27	2.54	0.30	3.06	1.12
JPMorgan Mid Cap Value A	Mid Value	0.82%	-16.11	-10.20	0.44	2.87 (37)	0.18 (30)	7.99 (19)	1.25
Russell Mid Cap Value			-18.46	-13.01	-2.36	1.98	-0.84	7.54	
Cat: Mid Value			-19.60	-14.66	-4.14	2.27	-0.76	6.36	1.18
Fidelity Advisor Leveraged Co Stk A	Mid Blend	0.87%	-26.65	-22.26	-8.16	-0.86 (85)	-1.68 (66)	12.79 (3)	1.13
Russell Mid Cap			-18.90	-12.34	-0.88	3.96	0.56	7.45	
Cat: Mid Blend			-20.44	-14.64	-3.36	1.89	-0.44	6.41	1.25
Blackrock Mid Cap Eq Idx Fd (for DC)		2.01%	-19.88	-13.02	-1.27	4.07	2.24	7.54	0.25
S&P 400			-19.88	-13.02	-1.28	4.05	2.20	7.50	
Cat: Mid Blend			-20.44	-14.64	-3.36	1.89	-0.44	6.41	1.25
T. Rowe Price Mid-Cap Growth Adv	Mid Growth	3.99%	-17.05	-11.01	1.21	7.22 (13)	4.23 (15)	8.24 (11)	1.04
Russell Mid Cap Growth			-19.33	-11.59	0.80	5.89	1.64	6.70	
Cat: Mid Growth			-19.51	-13.06	-1.04	3.75	1.63	5.69	1.23
Columbia Small Cap Value II Z	Small Value	0.32%	-23.24	-17.44	-3.89	-0.37 (63)	-1.09 (52)	N/A (N/A)	1.06
Russell 2000 Value			-21.47	-18.51	-5.99	-2.78	-3.08	6.47	
Cat: Small Value			-21.00	-17.45	-4.92	1.21	-0.72	7.43	1.32
Blackrock Russ 2000 Idx Fd (for DC)	Small Blend	2.37%	-21.86	-17.01	-3.53	-0.25	-0.97	6.09	0.25
Russell 2000			-21.87	-17.02	-3.53	-0.37	-1.02	6.12	
Cat: Small Blend			-21.77	-16.71	-3.48	1.00	-0.88	6.50	1.30
Prudential Jennison Small Company A	Small Growth	1.23%	-21.21	-14.38	-1.19	2.39 (55)	1.30 (40)	7.89 (8)	1.19
Russell 2000 Growth			-22.25	-15.57	-1.12	2.07	0.96	5.45	
Cat: Small Growth			-22.28	-14.91	-0.89	2.71	0.57	5.32	1.35

Fund Performance Summary (continued) – 457 Plan A and 401(a) Plans

9/30/2011									
Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio
AllianceBern Intl Growth A	Foreign Large Equity	0.94%	-23.25	-22.06	-15.92	-2.60 (66)	-3.77 (60)	7.36 (15)	1.31
Artisan International Inv		2.97%	-20.41	-15.35	-9.95	-0.79 (39)	-2.53 (39)	4.64 (60)	1.23
Blackrock EAFE Eq Idx Fund CF		0.45%	-19.00	-14.74	-9.09	-0.86	-3.19	5.25	0.25
MSCI EAFE			-19.01	-14.98	-9.36	-1.13	-3.46	5.03	
Cat: Foreign Large Equity			-20.65	-17.05	-11.04	-1.27	-3.12	5.30	1.28
Torrance Conservative	Lifestyle	0.72%	-7.95	-4.50	-0.47	5.11	3.53	N/A	0.71
65% BC Agg / 35% S&P 500			-2.61	1.18	4.06	6.10	4.17	4.99	
Cat: Conservative Allocation			-6.49	-2.40	1.30	5.99	2.94	4.62	1.01
Torrance Moderate		5.78%	-11.72	-7.72	-1.80	4.15	2.22	N/A	0.78
40% BC Agg / 60% S&P 500			-7.04	-2.65	3.05	4.44	2.25	4.29	
Cat: Moderate Allocation			-10.19	-5.97	0.22	3.71	1.37	4.32	1.09
Torrance Aggressive		4.87%	-15.45	-10.92	-3.16	3.04	0.86	N/A	0.85
S&P 500			-13.87	-8.68	1.14	1.23	-1.18	2.82	
Cat: Large Blend			-15.98	-11.32	-1.75	0.28	-1.60	2.98	1.08

Fund Performance Summary – 457 Plan B (Part-Time Plan)

9/30/2011										
Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio	
Torrence Stable Value	Fixed	61.89%	0.88	2.73	3.67	3.99	4.27	N/A	0.44	
Great West Guaranteed Certificate		33.72%	N/A	N/A	N/A	N/A	N/A	N/A		
Cat: Stable Value			0.54	1.69	2.35	2.73	3.29	3.77		
PIMCO Total Return Admin	Intermediate Bond	0.17%	-1.12	1.71	0.71	9.56 (33)	7.54 (8)	6.32 (11)	0.71	
Barclays Aggregate Bond			3.82	6.65	5.26	7.97	6.53	5.66		
Cat: Intermediate Bond			1.45	4.44	3.62	8.80	5.79	5.30	0.80	
Maxim Loomis Sayles Bond	Multisector Bond	0.02%	-4.95	2.10	4.05	11.98 (21)	6.83 (27)	9.85 (13)	0.90	
Barclays Multiverse			0.65	5.12	3.85	7.93	6.84	6.99	0.95	
Cat: Multisector Bond			-3.71	-0.03	1.34	9.51	5.56	7.72		
Janus Balanced T	Hybrid / Balanced	0.11%	-11.05	-6.13	-2.78	5.65 (11)	4.13 (4)	5.41 (17)	0.85	
40% BC Agg / 60% S&P 500			-7.04	-2.65	3.05	4.44	2.25	4.29		
Cat: Moderate Allocation			-10.19	-5.97	0.22	3.71	1.37	4.32	1.09	
Maxim T. Rowe Price Equity Income	Large Value	1.78%	-15.53	-11.56	-1.83	-0.39 (46)	-2.06 (38)	3.47 (43)	0.83	
Russell 1000 Value			-16.20	-11.24	-1.89	-1.52	-3.53	3.36		
Cat: Large Value			-16.10	-11.24	-2.24	-0.41	-2.63	3.29	1.07	
Davis NY Venture R	Large Blend	0.00%	-16.37	-14.47	-5.51	-1.77 (83)	-3.29 (84)	3.10 (43)	1.23	
American Funds Fundamental Investors R4		N/A	-16.93	-11.84	-2.87	0.91 (37)	-0.34 (27)	5.39 (8)	0.66	
Maxim Stock Index		0.01%	-14.53	-9.44	0.38	0.97	-1.40	2.65	0.60	
S&P 500			-13.87	-8.68	1.14	1.23	-1.18	2.82		
Cat: Large Blend			-15.98	-11.32	-1.75	0.28	-1.60	2.98	1.08	
American Century Ultra Inv	Large Growth	0.00%	-14.47	-8.17	2.97	4.39 (25)	1.36 (28)	2.09 (70)	1.00	
American Funds Growth Fund of Amer R3		0.17%	-16.26	-12.54	-3.66	0.30 (75)	-1.26 (78)	4.12 (24)	0.97	
Maxim Janus Large Cap Growth		0.04%	-16.40	-15.61	-8.40	-0.12 (82)	0.48 (44)	N/A (N/A)	1.05	
Oppenheimer Capital Appreciation A		0.08%	-14.67	-10.17	-0.66	0.40 (73)	-1.96 (87)	1.27 (87)	1.19	
American Funds Growth Fund of Amer R4		N/A	-16.19	-12.36	-3.37	0.60 (70)	-0.97 (74)	4.43 (20)	0.68	
Russell 1000 Growth			-13.14	-7.20	3.78	4.69	1.62	3.01		
Cat: Large Growth			-15.64	-10.74	-0.27	2.54	0.30	3.06	1.12	
Columbia Mid Cap Value R	Mid Value	0.04%	-21.17	-15.74	-3.64	-0.65 (93)	-1.83 (81)	N/A (N/A)	1.40	
JPMorgan Mid Cap Value A		N/A	-16.11	-10.20	0.44	2.87 (37)	0.18 (30)	7.99 (19)	1.25	
Russell Mid Cap Value			-18.46	-13.01	-2.36	1.98	-0.84	7.54		
Cat: Mid Value			-19.60	-14.66	-4.14	2.27	-0.76	6.36	1.18	
Ariel Appreciation	Mid Blend	0.01%	-24.01	-17.88	-7.86	3.92 (26)	0.01 (46)	5.17 (72)	1.18	
Lord Abbett Value Opportunities A		0.02%	-21.04	-16.30	-4.46	3.96 (25)	3.56 (6)	N/A (N/A)	1.34	
Russell Mid Cap			-18.90	-12.34	-0.88	3.96	0.56	7.45		
Cat: Mid Blend			-20.44	-14.64	-3.36	1.89	-0.44	6.41	1.25	
Maxim T. Rowe Price MidCap Growth	Mid Growth	0.32%	-17.13	-11.16	1.02	6.81 (16)	3.88 (18)	7.93 (13)	1.05	
Russell Mid Cap Growth			-19.33	-11.59	0.80	5.89	1.64	6.70		
Cat: Mid Growth			-19.51	-13.06	-1.04	3.75	1.63	5.69	1.23	

Funds listed in Green are scheduled to be added.

Funds listed in Red are scheduled to be removed.

Funds listed in Blue are frozen to new contributions

Funds shaded in Yellow have been placed on the watch list.

Fund Performance Summary (continued) – 457 Plan B (Part-Time Plan)

9/30/2011										
Investment Option / Benchmark	Category	Weight	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Expense Ratio	
Maxim Ariel SmallCap Value	Small Blend	0.12%	-28.35	-26.02	-16.86	1.76 (37)	-2.04 (70)	4.77 (80)	1.35	
Maxim Loomis Sayles SmallCap Value		0.19%	-21.12	-15.92	-2.09	0.36 (56)	-0.08 (40)	6.69 (44)	1.12	
Royce Total Return K		0.08%	-17.06	-12.71	-2.46	1.27 (46)	0.28 (34)	7.21 (35)	1.46	
Blackrock Russ 2000 Idx Fd (for DC)		N/A	-21.86	-17.01	-3.53	-0.25	-0.97	6.09	0.25	
Russell 2000	Small Growth	0.22%	-21.87	-17.02	-3.53	-0.37	-1.02	6.12	1.30	
Cat: Small Blend			-21.77	-16.71	-3.48	1.00	-0.88	6.50		
RidgeWorth Small Cap Growth Stock I			-22.30	-13.52	1.22	0.43 (74)	-0.43 (67)	5.48 (49)	1.23	
Prudential Jennison Small Company A			-21.21	-14.38	-1.19	2.39 (55)	1.30 (40)	7.89 (8)	1.19	
Russell 2000 Growth	Global Equity	0.16%	-22.25	-15.57	-1.12	2.07	0.96	5.45	1.35	
Cat: Small Growth			-22.28	-14.91	-0.89	2.71	0.57	5.32		
Oppenheimer Global A			-20.15	-14.23	-6.60	2.50 (33)	-1.31 (52)	5.89 (36)	1.20	
MSCI World			-16.61	-12.20	-4.35	-0.07	-2.23	3.71		
Cat: World Stock	Foreign Equity	0.18%	-17.96	-13.96	-6.31	1.41	-1.25	5.04	1.34	
Artisan International Inv			-20.41	-15.35	-9.95	-0.79 (39)	-2.53 (39)	4.64 (60)	1.23	
Maxim MFS International Growth Portfolio			-20.22	-15.02	-8.79	0.94 (21)	-1.31 (24)	N/A (N/A)	1.20	
MSCI EAFE			-19.01	-14.98	-9.36	-1.13	-3.46	5.03		
Cat: Foreign Large Equity	Lifestyle	0.04%	-20.65	-17.05	-11.04	-1.27	-3.12	5.30	1.28	
Maxim Conservative Profile II			-5.73	-2.64	0.35	5.96	3.82	4.84	0.83	
65% BC Agg / 35% S&P 500			-2.61	1.18	4.06	6.10	4.17	4.99		
Cat: Conservative Allocation			-6.49	-2.40	1.30	5.99	2.94	4.62	1.01	
Maxim Moderately Cnsv Profile II		0.49%	-8.18	-4.95	-0.52	5.11	3.18	5.28	0.89	
Maxim Moderate Profile II			-10.64	-7.00	-1.20	4.46	2.35	5.40	0.97	
40% BC Agg / 60% S&P 500			-7.04	-2.65	3.05	4.44	2.25	4.29		
Cat: Moderate Allocation			-10.19	-5.97	0.22	3.71	1.37	4.32	1.09	
Maxim Moderately Agrsv Profile II		0.02%	-13.05	-9.12	-2.12	3.42	1.16	5.30	1.08	
S&P 500			-13.87	-8.68	1.14	1.23	-1.18	2.82		
Cat: Aggressive Allocation			-14.30	-9.82	-2.01	2.35	-0.15	3.87	0.99	
Maxim Aggressive Profile II			-17.52	-13.26	-4.08	0.55	-1.53	4.61	1.23	
S&P 500	Lifecycle	0.11%	-13.87	-8.68	1.14	1.23	-1.18	2.82		
Cat: Large Blend			-15.98	-11.32	-1.75	0.28	-1.60	2.98	1.08	
Maxim Lifetime 2055 II T			-16.72	-12.32	-4.18	N/A (N/A)	N/A (N/A)	N/A (N/A)	1.02	
DJ Target 2055			15.63	-11.25	-2.58	3.57	0.84	6.76		
Cat: Target Date 2050+			-15.19	-11.19	-3.51	1.38	-1.99	3.34	1.16	

Funds listed in **Green** are scheduled to be added.

Funds listed in **Red** are scheduled to be removed.

Funds listed in **Blue** are frozen to new contributions

Funds shaded in **Yellow** have been placed on the watch list.